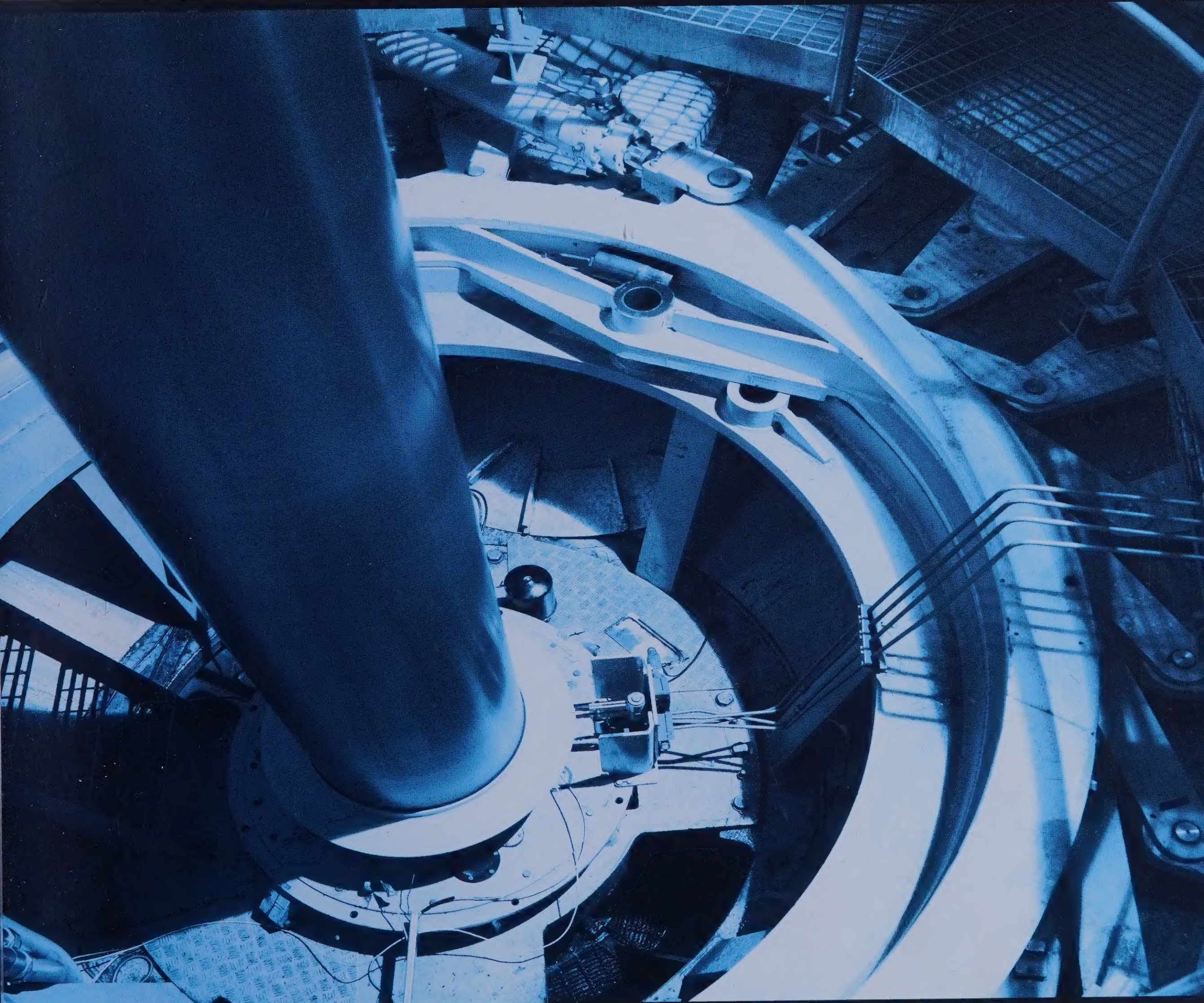
2003

Annual Report



Boralex

Boralex Inc. ("Boralex" or the "Corporation") is a pioneer and leader among private producers of green energy and renewable energy. Employing some 240 people, the Corporation owns and operates 17 power generation sites in Quebec, the northeastern United States and France. These have a combined total installed capacity of close to 240.0 MW. From its state-of-the-art control centre in Kingsey Falls, Quebec, Boralex manages its own power stations as well as ten others with a total installed capacity of 191.0 MW owned by the Boralex Power Income Fund (the "Fund"). Boralex holds 23% of the Fund's trust units.

Boralex has developed diversified expertise in four types of green and renewable energy production:

Boralex is the largest producer of **wood-residue energy** in North America, with five thermal power stations in Maine and New York State having a total installed capacity of 186.0 MW. In addition, on behalf of the Fund, the Corporation manages a thermal power station and a cogeneration plant, both wood-residue fired, in Quebec. The total installed capacity of these two facilities is 62.6 MW. To provide a partial source of supply for the power stations, Boralex operates Secure Wood Chips L.P., a Quebec company that collects, sorts and recycles urban waste wood.

In its original sector, Boralex owns nine **hydroelectric power** stations, including six in the United States, two in Quebec and one in France. These have a combined total installed capacity of more than 27.0 MW. The Corporation manages another seven hydroelectric power stations for the Fund, including five in Quebec and two in the United States, with a total installed capacity of 96.4 MW.

A pioneer in the field, Boralex operates a 14.0 MW **natural gas-fired cogeneration power** station in France, and manages a 31.0 MW power station of this type – the only one of its kind in Quebec – for the Fund.

In the past two years, Boralex has developed leading expertise in the promising wind energy field. For the moment, the Corporation is concentrating its **wind energy** operations in France, where this production method is experiencing rapid development. It currently operates two wind farms there with a total installed capacity of 12.0 MW.

Boralex's stock, in which Cascades Inc. holds a 43% interest, trades on the Toronto Stock Exchange under the ticker symbol BLX.A. Boralex Power Income Fund is also listed on the Toronto Stock Exchange under the symbol BPT.UN.

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FINANCIAL HIGHLIGHTS

In thousands of dollars, unless otherwise specified

	2003	2002	2001	2000	1999
Operations [1]					
Revenue [2]	79,072	104,366	88,517	78,736	64,768
Share in earnings of the Fund	8,197	5,217	-	-	-
EBITDA [3]	5,401	22,072	32,022	31,441	26,695
Net earnings (net loss)	(5,709)	53,406	7,884	6,626	5,243
Cash flows from operations	7,108	11,787	19,990	18,488	14,641
Investments [1]					
Purchase of property, plant and equipment	12,514	32,925	38,442	14,358	11,202
Business acquisitions	12,616	2,969	64,481	-	59,705
Financial position [1]					
Working capital	(1,047)	25,886	(29,538)	(28,658)	(4,417)
Property, plant and equipment	128,111	117,902	316,826	220,193	210,686
Investment [4]	89,969	93,271	-	-	-
Assets	252,716	285,818	354,314	246,167	234,726
Long-term debt, excluding current portion	35,005	32,889	153,172	130,856	153,612
Shareholders' equity	164,871	183,230	129,283	55,217	48,074
Class A share data [1]					
Net loss per share	(0.19)	$1.78	$0.31	$0.32	$0.25
Cash flows from operations per share	0.24	$0.39	$0.82	$0.95	$0.72
Shareholders' equity per share outstanding at the end of the period	5.52	$6.12	$4.32	$2.85	$2.48
Weighted average number of shares outstanding (in thousands)	29,931	29,940	24,367	19,398	19,398
Shares outstanding, end of period (in thousands)	29,865	29,940	29,940	19,404	19,397
Financial ratios [1]					
Current ratio	0.96	1.62	0.44	0.33	0.76
Long-term debt to equity	0.21	0.18	1.18	2.37	3.19

[1] Financial statements figures have been reclassified to conform to the current presentation, including the presentation of discontinued operations.

[2] Revenue includes revenue from energy sales, management revenue from the Fund and other revenue.

[3] Earnings from continuing operations before amortization, financial expenses, interest income, unusual items, provision for income taxes and non-controlling interests. EBIDTA is not a measure of performance under Canadian generally accepted accounting principles. Refer to management's discussion and analysis of operating results and financial position on page 14.

[4] The investment represents the Corporation's interest in the Fund.

BORALEX Information on Sites

Wood-residue Power Stations in Operation

Boralex Ashland Inc.
Thermal Power Station
City: Ashland (Maine, USA)
Capacity: 40.0 MW
Annual Output: 240.0 GWh

Boralex Chateaugay Inc.
Thermal Power Station
City: Chateaugay (New York, USA)
Capacity: 20.0 MW
Annual Output: 140.0 GWh

Boralex Fort Fairfield Inc.
Thermal Power Station
City: Fort Fairfield (Maine, USA)
Capacity: 36.0 MW
Annual Output: 252.0 GWh

Boralex Livermore Falls Inc.
Thermal Power Station
City: Livermore Falls (Maine, USA)
Capacity: 40.0 MW
Annual Output: 240.0 GWh

Boralex Stratton Energy Inc.
Thermal Power Station
City: Stratton (Maine, USA)
Capacity: 50.0 MW
Annual Output: 370.0 GWh

Other Site
Secure Wood Chips L.P.
Urban Wood Recovery and Sorting Centre
City: Montréal (Quebec, Canada)
Annual Recycling Capacity:
70,000 tonnes of wood

Hydroelectric Power Stations in Operation

Boralex–East Angus Power Station
City: East Angus (Quebec, Canada)
Capacity: 2.2 MW
Annual Output: 15.0 GWh

Boralex–Huntingville Power Station
City: Huntingville (Quebec, Canada)
Capacity: 0.3 MW
Annual Output: 1.0 GWh

Forces Motrices du Joudron S.A.S.
City: La Rochette (France)
Capacity: 1.0 MW
Annual Output: 3.0 GWh

Cascades Energy Thorndike, Inc.
City: Thorndike (Massachusetts, USA)
Capacity: 1.1 MW
Annual Output: 4.0 GWh

Adirondack Hydro-Fourth Branch, LLC
City: Waterfront (New York, USA)
Capacity: 3,1 MW
Annual Output: 14.0 GWh

Middle Falls Limited Partnership
City: Middle Falls (New York, USA)
Capacity: 2,3 MW
Annual Output: 10.2 GWh

NYSD
Limited Partnership
City: Waterford (New York, USA)
Capacity: 11,4 MW
Annual Output: 48.4 GWh

Sissonville Limited Partnership
City: Postdam (New York, USA)
Capacity: 3,0 MW
Annual Output: 13.3 GWh

Warrensburg Hydro Power Limited Partnership
City: Warrensburg (New York, USA)
Capacity: 2,9 MW
Annual Output: 10.9 GWh

Natural-gas Cogeneration Power Station in Operation

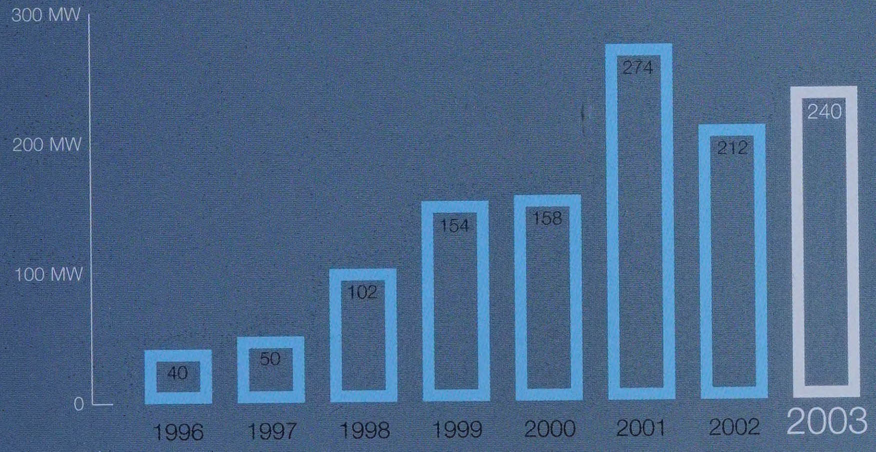
Boralex Blendecques S.A.S.
Cogeneration Power Station
City: Blendecques (France)
Capacity: 14.0 MW
Annual Output of Electricity: 82.0 GWh
Annual Output of Steam: 221,000 tonnes

Wind Power Stations in Operation

Séris Éole S.A.S.
City: Avignonet-Lauragais (France)
Capacity: 8.0 MW
Annual Output: 20.0 Gwh

Ferme éolienne de Chépy S.A.S.
City: Chépy (France)
Capacity: 4,0 MW
Annual Output: 9.5 GWh

GROWTH IN INSTALLED CAPACITY



STOCK DATA

Registered Securities

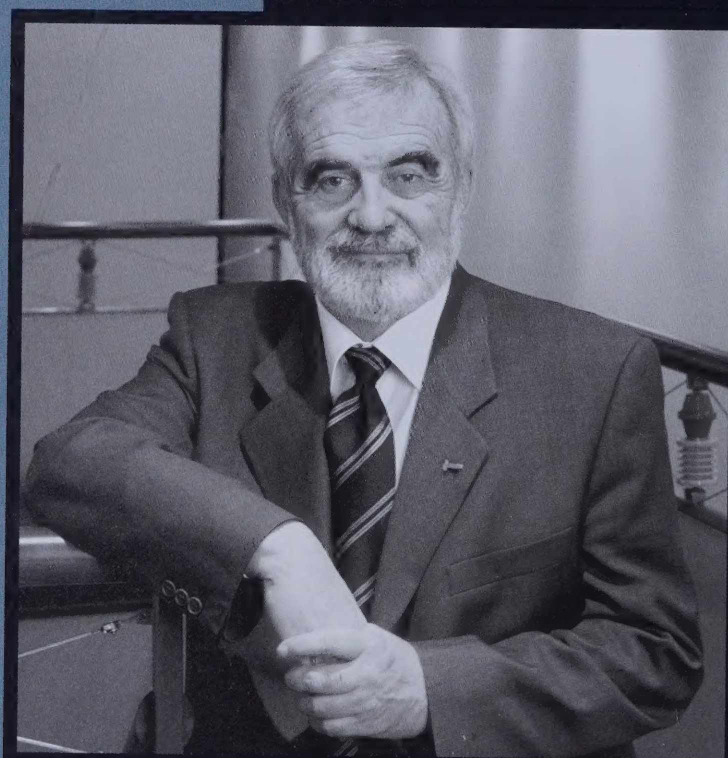
Securities	Symbol	Exchange
Common Shares	BLX.A	Toronto

Principal Shareholder (As at September 30, 2003)
Cascades Inc.: 43%

Trading on Common Shares

Fiscal years ended September 30	Shares issued and outstanding	Public float	High	Low	Closing price as at September 30
2003	29,865,262	17,011,463	$4.85	$3.05	$3.80
2002	29,940,262	17,966,463	$10.15	$3.95	$4.00

MESSAGE TO SHAREHOLDERS



Bernard Lemaire
Chairman of the Board and Chief Executive Officer

Claude Audet
President and Chief Operating Officer

During fiscal 2003, while pursuing our expansion projects in North America and Europe, we drew on our capacity to adapt and innovate to further reduce our operating costs so as to place the Corporation on a more solid financial footing.

However, Boralex's performance was affected by the particularly tough economic conditions in the northeastern United States, where the majority of the Corporation's energy assets are currently located. This market has been affected by great instability, as reflected in the great volatility of electricity selling prices. This factor, combined with a surplus of supply over demand, contributed to pulling average electricity prices below their already depressed 2002 levels. Despite substantial efforts to reduce operating and procurement costs, our U.S.-based thermal power stations also suffered from the high cost of their raw materials. In fact, wood residue prices are being pushed up by the combined effects of the strong Canadian dollar and the scarcity of this material resulting from the high cost of natural gas, the softwood lumber conflict, and competing uses for wood residue. Given such business conditions, the two thermal power stations in Athens and Ashland, Maine, which had been shut down in the third quarter of the previous year, remained closed. Towards the end of the fiscal year, we received a letter of intent from a potential purchaser for the 16.0 MW power station in Athens. Since we expect to complete the sale of these assets within the next twelve months, they have been treated as discontinued operations in our financial statements for fiscal 2003. Our hydroelectric power stations in Quebec, for their part, were affected by low levels of precipitation in 2002-2003, when hydrological conditions were as poor as, if not worse than, those of the previous year.

Lower revenue, the high cost of wood residue and a loss from discontinued operations were primarily responsible for the net loss of $5.7 million or $0.19 per share recorded for the fiscal year ended September 30, 2003. This is Boralex's first loss in nine years. Revenue amounted to $64.1 million versus $94.8 million a year earlier due to the factors mentioned above and to the sale of seven power stations to the Boralex Power Income Fund (the "Fund") in mid-fiscal 2002.

It is interesting to note that about 21% of revenue from energy sales for the latest fiscal year was generated in France. In addition to acquiring full ownership of the natural gas-fired cogeneration plant in Blendecques, our breakthrough in the wind energy sector was a success all along the line.

Less than a year after the commercial start-up of our first wind farm, which is located in the Toulouse area, in France, this facility with a total installed capacity of 8.0 MW has achieved its production and profit objectives. Having gained invaluable expertise in the high-potential wind energy sector from this test bench, we undertook a number of other projects with a view to adding about 30.0 MW of additional power to our French wind energy facilities over the next two years or so. Accordingly, we acquired an 85% interest in Ferme Éolienne de Chépy S.A.S., a company that has recently started up two wind generators with a combined capacity of 4.0 MW.

Meanwhile, consistent with our strategic planning, we pursued our expansion efforts in the United States, which led to our September 30, 2003 acquisition of five hydroelectric power stations with a total installed capacity of close to 23.0 MW. This is an excellent acquisition given the quality of these assets and their geographic location in New York State.

Electricity prices in this State are more stable than in other parts of New England, buoyed by a steady increase in demand for the past five years. As well, one of the acquired power stations holds an attractive contract for the sale of electricity running until 2027. Concurrently, the Fund also bought two power stations in New York State with a total capacity of 60.0 MW, which are being managed by Boralex. This acquisition was financed through the issue of 18.5 million trust units of the Fund, reducing Boralex's interest from 34% to 23%.

Thus, Boralex has increased its installed capacity by a total of 23.0 MW, or 11%, since the beginning of fiscal 2003, bringing it close to 240.0 MW.

Outlook and Objectives for 2003-2004:

1- Focus on operational profitability

We are cautious about our outlook for fiscal 2003-2004, since economic conditions are likely to remain difficult for our U.S. thermal power stations in terms of both selling prices and procurement costs. However, our recent acquisition should make a significant contribution to the Corporation's results, especially as hydrological conditions have improved significantly since the beginning of the current year in both Quebec and the northeastern U.S. The gradual improvement in the productivity of our first wind farm in France, the planned start-up of new wind energy sites and the good performances turned in by our other French power stations in the hydroelectric and natural gas sectors also allow us to anticipate an increase in our European results.

For the year in progress, our priority will be to make our operations more profitable, especially in the U.S. Our five new hydroelectric power stations, which have already been connected with our control centre in Kingsey Falls, should be integrated quickly and efficiently. We are currently doing the environmental follow-up and analyzing various scenarios to improve the power stations' productivity through strategic investments.

Our efforts, however, will chiefly be focused on turning around our thermal power stations. With the deregulation of the electricity industry, U.S. producers must now deal with brokers on an open market that varies from region to region, and where prices are set a season, a day, or even an hour in advance. Selling electricity has become a skill unto itself, requiring specialized knowledge and tools. Therefore, while negotiating firm agreements for the sale of electricity from our hydroelectric and wood residue-fired power stations in the United States, we plan to upgrade our expertise in the sale of electricity through staff training and the acquisition of technologies that will provide a better gauge of demand and price trends, and allow us to adjust our production accordingly.

The steps we are taking to reduce procurement costs are already well under way. With the acquisition of our Montreal-area urban waste wood recycling centre in 2001, and its subsequent development, we have begun to tap into sources of supply other than virgin wood residue. We are planning to further develop this strategic alternative by acquiring or investing in other recycling centres, particularly in the United States, and by evaluating other kinds of wood-based resources. We are also working with our suppliers to put raw-material quality control systems in place in order to improve the environmental performance and energy efficiency of our power stations. Finally, we are studying the possibility of increasing their wood-residue storage capacity to enable them to stockpile raw materials during times when demand is lower and prices are more reasonable.

The optimization of our procurement strategies also applies to other types of fuel, such as natural gas. Last year, for instance, taking advantage of the opening of the gas market in France, we managed to reduce our procurement costs by 17%. In Quebec, we renewed our partnership agreement with Gaz Métropolitain through a supply contract that runs until 2012. This will put us in a good position to answer the call for tenders that should soon be issued by Hydro-Québec Distribution for private infrastructures able to provide 800.0 MW of power generated using natural gas.

2- Continue to increase our critical mass, while consolidating our leadership in the production of green and renewable energy

The Kyoto Protocol—ratified so far by more than a hundred countries that have thereby committed to sharply reducing their greenhouse gas (GHG) emissions—positions us favourably in the high-potential market for sustainable development, an area where we hold a definite lead thanks to our solid expertise in the production of hydroelectric energy, bioenergy, and now wind energy. This is especially the case in Europe, where the Protocol is widely endorsed and supported by clear government policies. It is not surprising that 75% of the world's wind energy production is concentrated in Europe. In the short and medium terms, we see our strongest growth potential in France, where an additional capacity of 4,000 to 6,000 MW of wind generated power is expected to be installed by 2010. Boralex has the size, financial strength and expertise required to play a significant role in this emerging industry, where we foster partnerships with credible and innovative companies.

Although the United States has not ratified the Kyoto Protocol, it is in the process of creating a market for "green credits", giving an advantage to companies that contribute in a significant way to GHG reduction. Boralex intends to gain a strong position in this new market as a certified supplier of green energy. To do so, we have undertaken a certification program for our thermal plants in the United States in order to validate their environmental performance. We are also continuing to invest in reducing atmospheric emissions from our power stations, improving the efficiency of our waste and recycled water treatment and finding new solutions for ash recovery and management, with the dual objective of improving our environmental performance and lowering costs.

The New England market remains a major target for our expansion-by-acquisition strategy. The turbulent market conditions of recent years—marked by a number of bankruptcies and a fundamental change in the rules of the game—opened the way for industry rationalization and consolidation, of which Boralex will continue to take advantage.

Furthermore, we are seeing some signs that point to a recovery in electricity selling prices in coming years. Specifically, the price of electricity is traditionally correlated with that of natural gas, which is currently high. As well, the gradual recovery of the U.S. economy will help to eliminate the current spread between electricity supply and demand.

With greater expertise in the sale of electricity on the open market and improved control of our procurement costs, we will be in a stronger position to maximize the performance of our power stations.

Although the United States and Europe constitute our most promising markets for the short and medium terms, we remain on the lookout for good business opportunities in Canada as well. In Quebec, we are keeping a close eye on the calls for tenders issued by Hydro-Québec Distribution in the natural gas, wind energy and wood residue sectors—relative to which we have received backing for the construction of a 34.5 MW power station at Ferme-Neuve, in the Upper Laurentians. We are also watching for development opportunities in Ontario, where last summer's blackout clearly demonstrated the appropriateness of a private production infrastructure paralleling the public system.

Boralex remains firmly committed to profitable growth.
At the time of our initial public offering in 1997, we had less than 50.0 MW of total installed capacity and some ambitious development plans. We have lived up to those plans. Within less than seven years, we have increased our installed capacity by a factor of ten, diversified our expertise and our geographical presence and, with the exception of last year, generated steady profits. Our commitment to our shareholders remains the same.

Despite our industry's ups and downs in recent years, we have the good fortune of operating within a vital sector that will continue to grow as years go by. We have identified precise market niches and adopted a strategy primarly focused on the production of green and renewable energy. We have acquired strong expertise with regard to four of the energy sources expected to show the strongest growth in the next 20 years—water, wind, wood residue and natural gas—to the detriment of nuclear power and energy derived from heavy fossil fuels. By creating the Fund, we have given ourselves a powerful vehicle for growth and a stable source of income.

While strictly managing our costs and business risks, we will continue to take advantage of development opportunities in areas that offer potential for good growth and where legislation is favourable. We will remain a leader with regard to environmentally-friendly, sustainable development and will strive to further enhance our distinctive strengths, starting with our ability to adapt to market conditions, our operational flexibility, and the creativity of our teams.

In closing, we would like to thank our shareholders for their confidence in the Corporation's vision and long-term potential. Thanks also to Boralex's employees and partners, who contribute daily to turn this vision into a reality.

Bernard Lemaire
Chairman of the Board and Chief Executive Officer

Claude Audet
President and Chief Operating Officer

186 MW

WOOD-RESIDUE ENERGY

Fiscal 2003 was a year of major challenges, in which we had to deal with the difficult business environment that has prevailed since 2002.

In this context, we continued to focus on:

- controlling operating costs;
- diversifying our sources of supply;
- and increasing our wood-residue reserves at prices that will allow for renewed profitability once the selling price for electricity recovers.

During the year, we reinforced our cost management to minimize the impact of economic factors beyond our control. As you will recall, in 2002 we decided to temporarily shut down two of our power stations in Maine, the Athens and Ashland facilities. As market conditions continued to deteriorate in 2003, not only did the two power stations remain inactive, but we restricted production at the other power stations to peak periods for part of the third quarter. Major maintenance work on the Stratton power station also interrupted operations there in April 2003.

To continue improving our competitiveness, we actively pursued the diversification of our sources of supply for wood residue. This is a strategic priority for us, especially since this raw material accounts for the largest chunk of our operating costs and the supply of virgin wood residue in the United States is limited. We responded by more than doubling the production of Secure Wood Chips L.P., acquired in December 2001, from 25,000 tonnes to 60,000 tonnes of wood residue from recycled construction and demolition lumber, Christmas trees and tree pruning.

The quality of our raw materials is one of our priorities, and receives ongoing attention under our *Fuel Quality Action Program*, which is unique in the industry. This program sets out recovery standards for the wood residue used by Boralex, and provides continuous quality assurance that applies even to our suppliers and shippers. This program is reviewed every year.

We are also focusing on the sale of electricity. In 2003, lower demand in New England associated with a decrease in prices due to market deregulation made conditions in this region more demanding than ever. We need to redouble our efforts and show that we can adapt to the new trade practices in this market. On the other hand, rising demand and more stable prices in New York State make our future in that market look bright.

Furthermore, we have been selected by Hydro-Québec Distribution to develop and build a 34.5 MW power station at Ferme-Neuve, in the Upper Laurentians region. The contract for this project, which is part of Hydro-Québec's 20-year electricity supply plan, should be finalized in the spring of 2004 with the approval of the *Régie de l'énergie.*

As of 2004, we will be implementing a five-year strategic plan aimed at increasing our competitiveness by maximizing the overall performance of our power stations on both an operational and an environmental basis. Among other things, this will involve using leading-edge technology and increasing the storage capacity of our power stations so that we can take advantage of better fuel procurement conditions, especially in winter.

77% 

of the revenue from energy sales

78% 

of installed capacity

WOOD-RESIDUE POWER STATIONS

Boralex	Site
5 power stations 186.0 MW	Recycling of 60,000 tonnes of wood residue

27 MW

HYDROELECTRIC ENERGY

Fiscal 2003 was highlighted by expansion. On September 30, we completed the acquisition of five hydroelectric power stations in New York State: Middle Falls (2.3 MW), New York State Dam (11.4 MW), Fourth Branch (3.1 MW), Warrensburg (2.9 MW) and Sissonville (3.0 MW), for a total installed capacity of approximately 23.0 MW. These power stations have been in operation since the early 1990s. The Middle Falls power station holds a long-term power purchase contract expiring in 2017. We are currently studying the opportunity to increase this site's capacity. While giving us a much stronger presence in a high-potential deregulated market, this acquisition increases our diversification in the area of clean and renewable energy.

We are also providing management for two hydroelectric power stations in New York State acquired by Boralex Power Income Fund, i.e. Hudson Falls (45.8 MW) and South Glens Falls (13.9 MW).

In the first quarter of 2003, we completed improvements to our La Rochette power station, in France, increasing its annual production capacity from 0.8 MW to 1.3 MW. Since April 1, 2003, this power station has been selling its production to Cascades S.A., La Rochette Division, and to Électricité de France.

We are active in a market that offers great opportunities, but also presents some major challenges, especially in terms of adapting our sales and production activities to the spot market for electricity. From January 1, 2004, we are active on the market administered by the New York Independent System Operator (NYISO).

2%

of the revenue from energy sales

11%

of installed capacity

HYDROELECTRIC POWER STATIONS

Boralex
9 power stations
27.0 MW

14 MW

NATURAL GAS ENERGY

> With the current liberalization of the natural gas market, we are renewing our procurement contract under very attractive conditions, while gaining access to diversified sources of supply.

In addition to managing the Kingsey Falls plant, the only natural gas cogeneration power station in Quebec, acquired by the Boralex Power Income Fund in 2002, Boralex owned a 50% interest, acquired in January 2002, in the cogeneration power station in Blendecques, France. On January 31, 2003, we purchased the remaining interest in the Blendecques power station from Industélec Services S.A., increasing our ownership to 100%. This facility's performance in the past year has been excellent.

In operation since January 2002, Boralex Blendecques S.A.S., located in the Nord Pas-de-Calais region, has a total installed capacity of 14.0 MW, for an annual production of 82.0 GWh, and holds a contract expiring in 2013 to sell electricity to EDF. Another contract, expiring in 2022, covers the sale of the plant's annual production of some 221,000 tonnes of steam to the Norampac Avot-Vallée containerboard mill.

We have refurbished one of the plant's two boilers to provide optimum safety control and reduce greenhouse gas emissions. In 2003, we continued to strengthen our organization by integrating management information systems to handle electronic remote control of our european sites from the Blendecques power station and by providing ourselves with an expert, independent team that now includes about ten specialized employees.

18%

of the revenue from energy sales

6%

of installed capacity

NATURAL GAS COGENERATION POWER STATION

Boralex
1 power station
14.0 MW

12 MW
WIND ENERGY

In 2003, we made great strides in the area of wind energy, with major developments that produced both immediate results and long-term potential.

Séris Éole, our first wind farm, in service since November 2002 at Avignonet-Lauragais in southwestern France, achieved over 95% of its production capacity in the twelve months following start-up. With a total installed capacity of 8.0 MW giving an annual production of 20.0 GWh, this wind farm sells its production to EDF under a long-term contract that expires in 2017. Séris Éole reached all of its objectives for both sales and profitability in 2003, and was able to make a significant contribution to Boralex's results in its very first year of operation. In a perfect position to take advantage of the Autan and Cers winds, this site is a likely candidate for further development in the coming fiscal year. We are, in fact, in the last stages of obtaining building permits for two wind turbines that would add 4.0 MW of capacity.

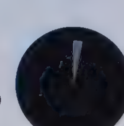
In April 2003, we acquired an 85% interest in Ferme Éolienne de Chépy S.A.S., located in the Somme region of France. Two wind turbines with a total capacity of 4.0 MW were built within a few months, and had their commercial start-up in early November. The power they produce will also be sold to EDF under a fifteen-year contract. Near Chépy, on the Nibas site, planning started in July 2003 for a new development featuring six wind turbines with a total capacity of 12.0 MW. We already have the building permits for these units, and expect to go ahead with this project in the second quarter of 2004.

Also in April 2003, we signed a preliminary agreement with the Eurotunnel Group (France-Manche S.A. and The Channel Tunnel Group Limited) to build and operate a 10.0 MW wind farm at the Coquelles Terminal on the French side of the Channel Tunnel. The electricity generated by this facility will be sold to EDF. This wind farm could be built in a few months, once the approval of the Intergovernmental Commission and the necessary building permits have been obtained. We expect to hold an 80% interest in the company operating these five wind turbines, which we hope to commission sometime in 2005.

These three projects have arisen from our development partnership with France's InnoVent S.A.R.L. This partnership, which began in July 2002, is proving to be very successful.

Everything is now in place for future growth. Our group has developed solid expertise in the complex and promising wind energy field, and is well positioned to continue its expansion in Europe, where the Kyoto Protocol has received widespread support.

In coming years, we also plan to put our expertise to good use in Quebec, where we have started a wind monitoring study to assess the energy-producing potential of certain areas in Eastern Quebec. This process is in response to calls for tenders issued by Hydro-Québec Distribution aimed at implementing 1,000.0 MW of wind energy generating capacity in Quebec in the next ten years. With this in mind, in March 2003 we created a joint venture company, Boralex Éole Inc., in conjunction with SOQUIP Énergie, a subsidiary of SGF (Société générale de financement). Boralex owns 60% of this joint venture. Drawing on our successful experience in Europe, we want to help make Quebec an effective player in this rapidly expanding global industry.

3%

of the revenue from energy sales

5%

of installed capacity

WIND POWER STATIONS

Boralex

2 sites
12.0 MW

For a
SUSTAINABLE DEVELOPMENT

One of Canada's largest private producers of electricity, Boralex is also a responsible and forward-thinking developer with respect to environmental care.

"Our commitment to sustainable development is a day-to-day priority. Through planned investments, we will continue to optimize our control of atmospheric emissions, process water treatment and ash recovery. Just as we will most certainly continue to develop green energy. This will only serve to increase Boralex's competitiveness and its contribution to the objectives of the Kyoto Protocol in the years to come."

Claude Audet
President and Chief Operating Officer

Wood Residue
An Alternative Energy Source

As the largest producer of wood-residue energy in North America, Boralex puts close to three million tonnes of material to good use in its thermal and cogeneration power stations every year–material that would otherwise constitute a costly problem in both environmental and financial terms. In fact, this wood residue would end up–at great expense–in landfill sites, with serious environmental consequences. Not only does Boralex transform this wood residue into energy (with the exception of treated wood), but its power stations are equipped to comply with today's environmental standards. On top of that, Boralex has implemented an exclusive integrated approach to quality control with its Fuel Quality Action Program, which sets strict standards for wood residue sorting, shipping and recycling operations.

Water
A Prime Source of Renewable Energy

All of Boralex's hydroelectric facilities are low-capacity, run-of-river power stations located near utilization points, thereby minimizing energy losses and environmental impacts such as waterway diversions, dislocation of infrastructure and hydraulic regime changes. Built and restored in compliance with environmental and ecological standards, and with respect for the people living in each area, these power stations contribute in a variety of ways to balanced regional socio-economic development.

Natural Gas Cogeneration
A Dual Energy Source

Used for cogeneration, natural gas offers some incontrovertible benefits even though it is not an entirely "green" energy source. In effect, Boralex's natural gas-fired cogeneration plants produce steam that is used by nearby manufacturing concerns. Without this process, these manufacturers would have to turn to heavy fossil fuels for their energy needs.

Wind
A Growing Source of Green Energy

Wind energy helps to reduce greenhouse gases because it does not release anything into the environment. It is thus fully compatible with Canada's objectives with respect to the Kyoto Protocol. Boralex is ramping up its wind-sector developments in France and planning to bring its expertise in this field to Quebec in the future.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF OPERATING RESULTS AND FINANCIAL POSITION

Prior comments

General
The Management's Discussion and Analysis of operating results and cash flows for the fiscal year ended September 30, 2003, and of the Corporation's financial position on that date, should be read in conjunction with the consolidated financial statements and the related notes contained in this annual report. Parts of this Discussion and Analysis contain forward-looking statements based on assumptions management deemed reasonable at the time. Such forward-looking statements, by their very nature, are subject to risks and uncertainties; consequently, actual results could differ materially from those expressed in the forward-looking statements. Unless otherwise specified, all amounts are in Canadian dollars.

Comparative Period
It is difficult to compare the results from 2003 and 2002 due to the fact that on February 20, 2002, i.e. during the previous fiscal year, Boralex sold seven power stations to the Boralex Power Income Fund (the "Fund"). Consequently, these assets made no contribution to last year's results, whereas they had contributed for approximately five months to the results of fiscal 2002. This change in the Corporation's asset base largely accounts for the variations in results for the two periods in question.

Changes in Accounting Policies
On October 1, 2002, the Corporation adopted new accounting policies regarding stock-based compensation and other stock-based payments, goodwill and other intangible assets, and the amortization of certain property, plant and equipment. The application and the effect of these changes in accounting policies are explained in note 2 of the consolidated financial statements.

Also, on October 1, 2003, the Corporation applied Accounting Guideline 13 regarding hedge accounting, as explained in note 19 of the consolidated financial statements.

EBITDA as a Measure of Performance
To assess the operating performance of its assets, the Corporation uses EBITDA, i.e. earnings from continuing operations before amortization, financial expenses, unusual items, income taxes and non-controlling interests. In Boralex's Consolidated Statements of Earnings, EBITDA corresponds to the item called *Earnings from continuing operations before the following*. The Corporation uses EBITDA because it is a widely accepted financial indicator of a company's ability to generate cash and to service and incur debt. However, since EBITDA is not a measure of performance under Canadian generally accepted accounting principles (GAAP), it may not be comparable to similarly named measures used by other companies. Investors should not use EBITDA as an alternative criteria for operating revenue or net earnings, nor as an indicator of operating results or cash flows, nor as a parameter for measuring liquidity. For a comparison of EBITDA and net earnings (loss) from continuing operations, please refer to Note 15 in the Notes to Consolidated Financial Statements.

Discontinued Operations
Near the end of fiscal 2003, the Corporation signed a letter of intent for the sale of the operating assets of its wood residue-fired thermal power station in Athens, Maine, which has been shut down since June 2002 due to adverse market conditions. Since the Corporation expects to divest itself of these assets within the next 12 months, the power station's operations have been treated as discontinued operations in the financial statements for fiscal 2003 and 2002.

Operating Results

Revenue
For the fiscal year ended September 30, 2003, revenue from energy sales decreased by $30.7 million to $64.1 million, compared to $94.8 million a year earlier. The larger part of this decrease, or approximately $21.0 million, results from changes in the Corporation's asset base associated with the creation of the Fund in February 2002, as mentioned above. The revenue decrease in the hydro-electric segment is primarily explained by the transfer of power stations to the Fund. The following factors also contributed to the decline in revenue from energy sales:

- the closure since June 2002 of the Ashland wood residue-fired power station due to low electricity prices. As a result, this power station did not bring in any revenue in 2003, while it had generated 139,546 MWh of electricity and about $7.6 million in revenue for the first eight months of fiscal 2002;
- a $10.8 million decline in the combined revenue of the four other U.S. wood-residue power stations, due mainly to lower selling prices leading to a decrease of about 9% in their average production, which totalled 804,405 MWh; and
- a negative effect of approximately $3.7 million related to exchange rate fluctuations between the U.S. and Canadian dollars.

On the other hand, the new power generation sites brought online in France in late fiscal 2002 and during fiscal 2003—namely the Séris Éole wind farm and the Blendecques natural gas cogeneration plant, wholly owned by Boralex since January 31, 2003—contributed an additional $12.5 million to the Corporation's consolidated revenue, with the combined sale of about 70,000 MWh of electricity.

As well, Boralex recorded $23.2 million in other revenue, compared to $14.8 million a year earlier. The Corporation's 34% share in the earnings of the Fund amounted to $8.2 million versus $5.2 million in 2002. This difference is mainly attributable to the fact that this share is applied to all of fiscal 2003, compared to approximately seven months of 2002. Finally, Boralex also posted other revenue of $1.2 million ($1.3 million in 2002) derived mainly from the management of other assets belonging to related parties.

The new power generation sites brought online in France in late fiscal 2002 and during fiscal 2003 contributed an additional **$12.5 million** to the Corporation's consolidated revenue.

Revenue and Expenses Related to the Fund

Boralex posted revenue of $13.7 million ($8.2 million in 2002) in management and operating fees for the Fund's power stations. Relatively to these revenue, expenses of $12.4 million ($7.3 million in 2002) were incurred. The increase in these revenue and expenses are mainly attributable to the fact that they were included in the Corporation's results for all of fiscal 2003, compared to approximately seven months of 2002.

EBITDA

EBITDA from continuing operations amounted to $5.4 million in 2003 versus $22.1 million in 2002. In addition to the changes made to the Corporation's asset base in 2002, this decrease is mainly attributable to the adverse business conditions affecting the Corporation's U.S. wood residue-fired power stations, which were faced with lower electricity prices that lead to lower production, combined with higher costs for their raw materials. It must be stressed, however, that this last factor has been significantly offset by the efforts made by the power stations to optimize their procurement strategies and control operating costs. The Corporation's European power stations made a sizeable contribution of $4.7 million to consolidated EBITDA. The Blendecques power station, in particular, showed better-than-expected productivity and benefited from reduced natural gas procurement costs after renegotiating its supply contract. The analysis of results for fiscal 2003 must also take account of the fact that in January 2003, Boralex acquired its former co-shareholder's 50% stake in the Blendecques power station, thereby becoming the sole owner of this facility.

Boralex posted non-recurring administration costs of some $1.1 million, relating mainly to the administrative reorganization that took place following the departure of certain corporate officers. As a result of the adoption of the fair-value method of accounting for stock options granted to managers and employees, a $0.2 million expense was also charged to administrative costs.

Amortization, Financial Expenses and Unusual Items

Despite the January 2003 acquisition of the Blendecques, France, power station and the inclusion of amortization expenses for the Séris-Éole wind farm for all of fiscal 2003, Boralex's amortization expenses decreased by $1.6 million to $7.0 million in 2003, as a result of the sale of seven power stations in fiscal 2002. Financial expenses were down by $3.9 million, from $5.7 million in 2002 to $1.8 million in 2003, due to the repayment of long-term debt associated with the seven power stations sold during the previous year, using the proceeds of the sale of assets to the Fund. Interest income on cash and cash equivalents rose from $0.6 million to $0.7 million.

Boralex posted unusual expenses totalling close to $1.8 million in 2003, compared to a net unusual gain of $59.6 million in 2002 arising from the sale of assets to the Fund. Unusual items for fiscal 2003 are broken down as follows:

- $2.8 million in compensation paid to the Fund for lower-than-expected productivity at the wood residue-fired power station in Senneterre, Quebec, which notably required the purchase of additional fixed assets. At present, management does not foresee paying any further compensation to the Fund with regard to this power station;
- the write-off of assets totalling $1.0 million, consisting primarily of development costs incurred to answer calls for tenders from Hydro-Québec for projects that will not be developed;
- an unusual gain from the reversal of an excess provision of $1.5 million posted in 2002, and a $0.5 million gain on the dilution of the Corporation's interest in the Fund following the Fund's issue of 18,500,000 new trust units on September 30, 2003, to finance the acquisition of two hydroelectric power stations in the United States.

Consequently, Boralex's continuing operations posted a pre-tax loss of $4.4 million, compared to pre-tax earnings of $68.0 million the previous year.

Net Results

After accounting for a $0.8 million income tax recovery and $0.2 million in non-controlling interests in subsidiaries, continuing operations incurred a net loss of $3.8 million or $0.13 per share in 2003, compared to net earnings of $54.4 millions or $1.81 per share ($1.80 diluted) in 2002.

The net loss from discontinued operations amounted to $1.9 million or $0.06 per share, including an operating loss of $1.6 million (before taxes) incurred by the Athens power station (compared to an operating loss of $1.4 million in 2002), and a permanent impairment of value totalling $1.4 million (before taxes) with respect to the assets to be sold.

Overall, Boralex thus incurred a net loss of $5.7 million or $0.19 per share, compared to net earnings of $53.4 million or $1.78 per share ($1.77 diluted) in 2002. The weighted average number of shares outstanding remained fairly steady at 29.9 million.

Quarterly Financial Highlights

(unaudited and in thousands of dollars, except per-share amounts)

	1 December 31	2 March 31	3 June 30	4 September 30
Fiscal year ended September 30, 2003				
Revenue from energy sales	15,715	18,689	12,288	17,404
Share in earnings of the Fund, management fees and other revenue	5,285	6,768	5,575	5,545
Net earnings (net loss) from continuing operations	(496)	1,606	(1,862)	(3,034)
per share, basic	(0.02)	0.05	(0.06)	(0.10)
per share, diluted	(0.02)	0.05	(0.06)	(0.10)
Net earnings (net loss)	(750)	1,315	(2,057)	(4,217)
per share, basic	(0.02)	0.04	(0.07)	(0.14)
per share, diluted	(0.02)	0.04	(0.07)	(0.14)
Fiscal year ended September 30, 2002				
Revenue from energy sales	27,808	30,278	15,866	20,877
Share in earnings of the Fund, Management fees and other revenue	376	3,555	5,522	5,301
Net earnings (net loss) from continuing operations	(999)	53,168	(647)	2,829
per share, basic	(0.03)	1.78	(0.02)	0.09
per share, diluted	(0.03)	1.77	(0.02)	0.09
Net earnings (net loss)	(1,458)	53,287 (1)	(796)	2,372
per share, basic	(0.05)	1.78	(0,03)	0.08
per share, diluted	(0.05)	1.77	(0,03)	0.08

(1) Including an unusual gain of $57.8 million, net of taxes.

Cash Flows and Financial Position

Operating Activities

Boralex's cash flows from continuing operations amounted to $7.1 million in 2003 versus $11.8 million in 2002. This decrease can be explained mainly by lower operating profitability, which was, however, partially offset by distributions from the Fund totalling $12.0 million for the whole of fiscal 2003, compared to $6.3 million for seven months of fiscal 2002. The change in non-cash working capital balances required funds of $18.5 million, due largely to the $14.3 million in compensation paid to the Fund to correct an assessment error that occurred in 2002 with regard to the selling price of the Senneterre power station. In 2002, the change in non-cash working capital balances had produced a cash inflow of $11.7 million, arising mainly from balances due, including taxes due on the gain on the sale of assets and the $14.3 million compensation due to the Fund. As a result, continuing operations in fiscal 2003 required net cash of $11.3 million, compared to a cash inflow of $23.5 million in 2002.

Investing Activities

In 2003, Boralex invested $26.2 million to expand its continuing operations. More specifically, the Corporation invested $12.5 million in the acquisition of new property, plant and equipment, with about half of this amount, or $6.6 million, being used to develop its wind energy sector in France. Part of this investment was allocated to the new wind farm at Chépy, which started up in November 2003 and will therefore only begin contributing to the Corporation's results during fiscal 2004. Boralex also invested $4.4 million in new fixed assets for its wood-residue power stations, partly for major maintenance work, and $1.1 million in upgrading the natural gas cogeneration plant in Blendecques.

Furthermore, Boralex invested $12.6 million in business acquisitions (net of cash and cash equivalents), including $11.2 million on September 30, 2003 (i.e. the last day of the fiscal year) to acquire five hydroelectric power stations in New York State with a total installed capacity of close to 23.0 MW. On January 31, 2003, the Corporation also acquired, for a net amount of $0.6 million, the remaining 50% interest in the Blendecques cogeneration plant, thereby becoming the sole owner. Finally, on April 1, 2003, Boralex invested $0.8 million to acquire an 85% interest in a French company working to develop a wind energy site at Chépy, France. Note that most of the investments made in fiscal 2003 will begin to produce results in 2004.

Lastly, approximately $1.0 million was deposited in trust as part of financing arrangements put in place in Europe.

Financing Activities

Financing activities related to continuing operations generated cash of $1.2 million. Specifically, the Corporation repaid $6.9 million of its long-term debt, while contracting new long-term loans totalling $6.3 million, mainly for its development in Europe. Furthermore, the Corporation increased its bank loans and advances by $2.1 million to provide for its working capital requirements. Finally, in a normal course issuer bid, it purchased 75,000 Class A shares for a total of $0.3 million.

Taking into account translation adjustments on cash and cash equivalents of $0.1 million, total cash flows related to continuing operations required liquid assets of $36.5 million, while discontinued operations used funds of $1.2 million. Consequently, the Corporation's cash and cash equivalents were reduced by $37.6 million, from $44.0 million as at September 30, 2002 to $6.4 million on the same date in 2003.

Furthermore, Boralex invested $12.6 million in business acquisitions including $11.2 million to acquire five hydroelectric power stations in New York State with a total installed capacity of close to 23.0 MW.

Financial Position

As at September 30, 2003, the Corporation's working capital (including the current portion of the long-term debt) showed a deficit of $1.0 million for a ratio of 0.96:1, compared to a surplus of $25.9 million and a ratio of 1.62:1 as at September 30, 2002. This difference is due to the fact that a large part of the cash generated in 2002 by the sale of assets to the Fund was used in 2003. The value of property, plant and equipment rose from $117.9 million to $128.1 million following the acquisition of five power stations at the end of the year and the Corporation's expansion in Europe.

On the other hand, the past year's net loss and the decline in the cumulative translation adjustments account reduced shareholder's equity from $183.2 million to $164.9 million. Long-term debt, excluding the current portion, stood at $35.0 million or 21% of shareholder's equity as at September 30, 2003, versus $32.9 million or 18% of shareholder's equity a year earlier. Including bank loans and advances and the current portion of the long term debt, total debt rose from $37.2 million to $43.2 million.

Outlook for 2003-2004

Boralex expects its revenue to grow for its next fiscal year. The Corporation will benefit from 23.0 MW of additional installed capacity from the five hydroelectric power stations acquired in New York State on September 30, 2003, and from the Chépy wind farm that began operations in November 2003. In addition, electricity prices on the deregulated market in the northeastern United States have been showing signs of recovery in the first quarter of 2004, which bodes well for Boralex's nine U.S. power stations that do not have long-term power purchase contracts. Finally, management believes that the dilution of Boralex's share in the Fund from 34% to 23% will be offset by the addition of the Fund's two new hydroelectric power stations and an increase in distributions.

In an economic context that remains relatively difficult in the northeastern United States, Boralex's primary objective for fiscal 2004 is to improve the profitability of its U.S.-based assets. In this context, the Corporation will reassess on a periodical basis the possibility of starting-up the Ashland power station. As a whole, the Corporation's U.S. power stations should benefit from the integration of new tools and expertise in the sale of electricity on the spot market to take advantage of peak demand periods. As well, Boralex is still focusing on reducing its operating costs, mostly the cost of its wood residue purchases, notably by diversifying its sources of supply, increasing its storage capacity and keeping strict control of fuel quality. The expected sale of the Athens power station should also help to improve the Corporation's results.

As for the European power stations, they should show increasing productivity thanks to the expertise gained in these power generation methods. Finally, Boralex intends to maintain strict control over its management operations and administrative costs.

Besides the possibility of acquisitions, Boralex expects to invest in fiscal 2004 some $4 million in new fixed assets in the normal course of business and will repay approximately $6 million of long-term debt. The anticipated improvement in operating cash flow and its solid balance sheet should enable the Corporation to provide for its normal cash requirements and to pursue its expansion plans. In the short term, Boralex does not expect to pay dividends on its Class A shares, and will maintain its policy of reinvesting liquid assets in its growth projects.

Risks and Uncertainties

Risks Related to Operations

Revenue generated by power stations is proportional to the amount of electrical power they produce. If power station facilities require longer downtime than expected for maintenance and repair, or if electricity production is interrupted for other reasons, it could have a negative effect on the Corporation's revenue and profitability.

With the exception of its Canadian and European power stations, along with one hydroelectric power station in the U.S., all of which have long-term contracts for the sale of their electricity, nine of the power stations operated by Boralex – all of them in the northeastern United States – sell their electricity on the open market. Electricity prices vary depending on supply, demand and certain other external factors. As a result, prices may fall too low for the power stations to turn in an operating profit. Boralex strives to reduce this market risk by increasing its electricity selling expertise and by optimizing its operating costs.

The accessibility, availability and cost of raw materials represent other risk factors for the Corporation. For instance, the performance of hydroelectric power stations can be affected by the amount of water flow. Thermal and cogeneration power stations are dependent on sufficient and affordable supplies of wood residue and natural gas. The Corporation reduces this risk by establishing partnerships with suppliers and, in the case of wood residue, by seeking out alternatives to virgin residue as fuel, as well as by adopting storage strategies that will help to avoid purchasing during times when raw materials are scarce and prices are subsequently high.

Foreign Exchange Risk

At present, only two of the 17 power stations owned by Boralex are located in Canada, while eleven are in the United States and four are in France. The Corporation is thus exposed to a foreign exchange risk, relating to the translation, in Canadian dollars, of the financial statements expressed in foreign currencies. For instance, as was the case last year, a relative decrease in the U.S. dollar affects the Corporation's revenue due to the size of its U.S. asset base. On the other hand, this same factor works to the Corporation's benefit with respect to wood-residue purchases, which are primarily made in the United States. The Corporation also benefits from a natural hedge in its European operations.

BOARD OF DIRECTORS

Bernard Lemaire
Chairman of the Board and Chief Executive Officer
Boralex Inc.
Chairman of the Board
Cascades Inc.

Claude Audet
President and Chief Operating Officer
Cascades Inc.

Allan Hogg
Corporate Controller
Cascades Inc.

Yves Rheault
Consultant

Richard Lemaire
President
Séchoirs Kingsey Falls Inc.

Germain Benoit
President
Capital Benoit Inc.

Gilles Shooner
Environmental Consultant

Pierre Seccareccia
Administrator of Corporations

Member of the [illegible] Committee
Member of the Audit Committee
Member of the Environmental Committee
Member of the Corporate Governance [illegible] Committee

MANAGEMENT

Bernard Lemaire
Chairman of the Board and Chief Executive Officer

[illegible] Audet
President and Chief Operating Officer

Jean-François Thibodeau
Vice-President and Chief Financial Officer

Denis Aubut
General Manager, [illegible] and Gas Cogeneration Division

Hugues Girardin
General Manager, Electricity and Wind Power Division

Robert F. Hall
Corporate Secretary

MANAGEMENT'S REPORT

The financial statements for the years ended September 30, 2003 and 2002, were completed by the management of Boralex Inc., reviewed by the Audit Committee and approved by the Board of Directors. They were prepared in accordance with accounting principles generally accepted in Canada and those consistent with the Corporation's business.

The Corporation and its subsidiaries maintain high quality systems of internal controls. Such systems are designed to provide reasonable assurance that the financial information is accurate and reliable. The information included in this Annual Report is consistent with the financial statements contained herein.

The financial statements have been audited by PricewaterhouseCoopers LLP, the Corporation's auditors.

Bernard Lemaire
Chairman of the Board and Chief Executive Officer

Montreal, Canada
December 4, 2003

AUDITORS' REPORT

To the Shareholders of Boralex Inc.

We have audited the consolidated balance sheets of Boralex Inc. as at September 30, 2003 and 2002 and the consolidated statements of earnings, retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at September 30, 2003 and 2002 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP
Chartered Accountants

Montreal, Canada
December 4, 2003

CONSOLIDATED BALANCE SHEETS

As at September 30, 2003 and 2002
(in thousands of dollars)

	Note	2003	2002
Assets			
Current assets			
Cash and cash equivalents		6,377	44,011
Accounts receivable		15,634	17,786
Future income taxes		842	2,436
Inventories		2,857	2,554
Current assets of discontinued operations	12	503	661
		26,213	67,448
Investment	4 a)	89,969	93,271
Property, plant and equipment	5	128,111	117,902
Other assets	6	5,029	2,755
Long-term assets of discontinued operations	12	3,394	4,442
		252,716	285,818
Liabilities			
Current liabilities			
Bank loans and advances	7	2,070	-
Accounts payable and accrued liabilities		14,292	30,803
Income taxes		4,347	6,021
Current liabilities of discontinued operations	12	405	430
Current portion of long-term debt	8	6,146	4,308
		27,260	41,562
Long-term debt	8	35,005	32,889
Future income taxes	13	24,820	27,553
Non-controlling interests		760	584
		87,845	102,588
Shareholders' equity			
Capital stock	9	110,677	110,789
Retained earnings		64,462	70,171
Cumulative translation adjustments		(10,268)	2,270
		164,871	183,230
		252,716	285,818

Approved by the Board of Directors,

Bernard Lemaire
Director

Germain Benoit
Director

CONSOLIDATED STATEMENTS OF EARNINGS

For the years ended September 30, 2003 and 2002
(in thousands of dollars, except per share amounts)

	Note	2003	2002
Revenue from energy sales		64,096	94,829
Operating costs		60,178	71,397
		3,918	23,432
Share in earnings of the Fund		8,197	5,217
Management revenue from the Fund	4 c)	13,727	8,189
Other revenue		1,249	1,348
		27,091	38,186
Expenses			
Management and operation of the Fund		12,405	7,304
Administration costs		9,285	8,810
		21,690	16,114
Earnings from continuing operations before the following		5,401	22,072
Other revenue (expenses)			
Amortization		(6,989)	(8,633)
Financial expenses	11	(1,756)	(5,666)
Interest income		729	582
Unusual items	10	(1,748)	59,611
		(9,764)	45,894
Earnings (loss) from continuing operations before income taxes		(4,363)	67,966
Provision for (recovery of) income taxes		(777)	13,541
		(3,586)	54,425
Non-controlling interests		(200)	(74)
Earnings (loss) from continuing operations		(3,786)	54,351
Loss from discontinued operations	12	(1,923)	(945)
Net earnings (loss) for the year		(5,709)	53,406
Earnings (loss) per Class A share			
From continuing operations		(0.13)	1.81
Net earnings (loss)		(0.19)	1.78
Fully diluted earnings (loss) per Class A share			
From continuing operations		(0.13)	1.80
Net earnings (loss)		(0.19)	1.77
Weighted average number of Class A shares outstanding		29,930,887	29,940,262

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

For the years ended September 30, 2003 and 2002
(in thousands of dollars)

	2003	2002
Balance–Beginning of year	70,171	16,765
Net earnings (loss) for the year	(5,709)	53,406
Balance–End of year	64,462	70,171

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended September 30, 2003 and 2002
(in thousands of dollars)

	Note	2003	2002
Continuing operating activities			
Earnings (loss) from continuing operations for the year		(3,786)	54,351
Distribution received from the Fund	4 a)	12,044	6,344
Adjustments for non-cash items			
Share in earnings of the Fund		(8,197)	(5,217)
Unusual items	10	582	(59,611)
Amortization		6,989	8,633
Future income taxes		(932)	7,164
Non-controlling interests		200	74
Other		208	49
Cash flows from operations		7,108	11,787
Changes in non-cash working capital balances	14	(18,455)	11,676
		(11,347)	23,463
Investing activities of continuing operations			
Proceeds on disposal of property, plant and equipment and other assets	10 e)	-	223,430
Purchase of property, plant and equipment		(12,514)	(32,925)
Other assets		(1,092)	454
Business acquisitions (net of cash and cash equivalents acquired)	3	(12,616)	(2,969)
		(26,222)	187,990
Financing activities of continuing operations			
Bank loans and advances		2,070	(15,239)
Increase in long-term debt		6,324	27,821
Payments of long-term debt		(6,887)	(169,159)
Prepayment of long-term debt	10 f)	-	(14,162)
Non-controlling interests		-	(75)
Redemptions of shares	9 b)	(272)	-
		1,235	(170,814)
Translation adjustments on cash and cash equivalents		(127)	(62)
Net change in cash and cash equivalents from continuing operations during the year		(36,461)	40,577
Net change in cash and cash equivalents from discontinued operations during the year	12	(1,173)	233
Net cash and cash equivalents during the year		(37,634)	40,810
Cash and cash equivalents–Beginning of year		44,011	3,201
Cash and cash equivalents–End of year		6,377	44,011
Supplemental disclosure			
Cash and cash equivalents paid for:			
Interest		1,845	6,132
Income taxes		5,442	1,166

September 30, 2003 and 2002
(tabular amounts are in thousands of dollars, unless otherwise specified)

1 Nature of operations and basis of consolidation

The Corporation operates principally as a private producer of energy. As at September 30, 2003, the Corporation had interests in nine hydroelectric power stations (2002–four), six wood-residue thermal and cogeneration power stations (2002–six), one natural gas cogeneration power station (2002–one) and one wind power station (2002–none), for a total capacity of 251 megawatts ("MW") (2002–221 MW). Furthermore, a wind farm was under construction as at September 30, 2003 and will represent additional power capacity of 4.0 MW. The Corporation also manages 10 power stations (2002–eight) owned by Boralex Power Income Fund (the "Fund"), in which the Corporation holds an interest, and two hydroelectric power stations (2002–two) on behalf of an entity controlled by a director of the Corporation.

The consolidated financial statements include the accounts of the Corporation and its subsidiaries. Until January 31, 2003 (note 3), they also included the portion of the accounts of a joint venture accounted for under the proportionate consolidation method. Investments in affiliated companies are recorded using the equity method.

2 Significant accounting policies

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet dates and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from those estimates. These estimates are reviewed periodically and, as adjustments become necessary, are reported in earnings in the period in which they become known.

Revenue recognition

The Corporation recognizes its energy revenue when the energy produced is received by the client. Management revenue from the Fund and other revenue (primarily including management fees) are recognized when the service is provided.

Fair market value of financial instruments

The Corporation has estimated the fair market value of its financial instruments based on current interest rates, market value and current pricing of financial instruments with comparable terms. Unless otherwise indicated, the carrying value of these financial instruments approximates their fair market value.

Commodity derivative instruments

The Corporation is party to contracts which are similar to commodity derivative instruments even though most require physical delivery by one of the counterparties bound to the contract. These contracts are used strictly to hedge risks to which the Corporation is exposed. The types of contracts most often used by the Corporation are contracts for the purchase or sale of electricity and natural gas, and the transmission of power and steam.

When the hedging relationships are effective, the gains and losses on the hedging contracts are deferred and recognized in earnings at the same time as the hedged amounts.

If a relationship has proven to be no longer effective or was otherwise discontinued, the fair value of the derivative instruments would be recorded on the balance sheet, and subsequent gains or losses would be recognized in the statement of earnings. If the relationship is discontinued as a result of reduced effectiveness, by the sale of the hedging instrument or on the decision of management, the gains and losses deferred until discontinuance of the hedging relationship would be amortized over the remaining period of the initial relationship. If the hedged item were to be sold or become improbable, any gain or loss deferred until such time would be recognized in earnings when the hedge is discontinued.

Interest rate swap agreements

The Corporation uses interest rate swap agreements to reduce the impact of fluctuating interest rates on a portion of its long-term debt. These agreements require the periodic exchange of interest payments without any exchange of principal on which the payments are calculated. The Corporation identifies these interest rate swap agreements as a hedge for the underlying debt, and adjusts interest expenses on the debt to include payments made or received under interest rate swap agreements.

Cash and cash equivalents

Cash includes cash on hand and bank balances. Cash equivalents include bankers' acceptances and commercial paper that are readily convertible into known amounts of cash and will mature in four months or less. These investments are recorded at cost plus accrued interest and their carrying value approximates their fair market value.

Inventories

Inventories represent wood residue and are valued at the lower of cost and replacement cost. Cost is determined using the average cost method.

Investment

The investment represents the Corporation's share in the Fund and is recorded using the equity method, net of the unrealized gain which is amortized using the straight-line method over a period of 20 years.

Property, plant and equipment and amortization

Property, plant and equipment, comprised mainly of power stations, are recorded at cost, including interest incurred during the period of construction of certain assets. Amortization is provided for from the date the assets are put into service using the following methods:

a) Wood-residue thermal power stations

Amortization is calculated using the production method based on electricity production. According to this method, amortization expense recorded in earnings is based on actual production during the period in relation to anticipated production.

b) Power station with index-linked long-term sale contract

Amortization is calculated using the compound interest method at a rate of 3% over a term of up to 40 years.

c) Other power stations

Amortization is calculated using the straight-line method over periods of 20 to 40 years.

Replacement parts are valued at the lower of cost and market value, and are not amortized.

Other assets

Power sales contracts

The purchase costs of power sales contracts are amortized using the straight-line method over the remaining term of the contracts ranging from 12 to 22 years.

Restricted funds

Restricted funds represent funds held in trust for the purpose of satisfying requirements of certain long-term debt agreements. The restricted funds, consisting of deposit certificates, are valued at the lower of cost and market value.

Deferred costs

Deferred costs include deferred financial expenses, amortized using the straight-line method over the term of the corresponding debt instruments, and expenses relating to hydraulic forces and water rights, amortized using the straight-line method over a period of 40 years. They also include expenses related to the development of new sources of fuel for the thermal power stations, amortized using the straight-line method over a period of four years.

Project development costs

Project development costs include design and acquisition costs related to new projects. These costs are deferred up to the start of the construction of the new power station, at which time the costs are transferred to the cost of the power station. When the Corporation determines that the abandonment of a project is probable, the related costs are written off.

Income taxes

The Corporation uses the liability method in accounting for income taxes. According to this method, future income taxes are determined using the difference between the accounting and tax bases of assets and liabilities. The tax rate in effect when these differences will reverse is used to calculate future income taxes at the balance sheet date. Future income tax assets arising from losses carried forward and temporary differences are recognized when it is more likely than not that the assets will be realized.

Foreign currency translation

Foreign currency transactions

Transactions denominated in foreign currencies are recorded at the rate of exchange prevailing at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated into the local currency at the rate of exchange prevailing at the balance sheet date. Unrealized gains and losses on translation of monetary assets and liabilities are included in the determination of net earnings for the year.

Foreign operations

The Corporation's foreign operations are defined as self-sustaining. The assets and liabilities of these operations are translated into Canadian dollars at the rate of exchange prevailing at the balance sheet date. Revenue and expenses are translated at the average exchange rate for the year. Translation gains or losses are deferred and shown as a separate component in shareholders' equity.

Stock-based compensation and other stock-based payments

The Corporation uses the fair value method to record stock options issued to senior management and executives. According to this method, an expense is recorded to earnings based on the exercise conditions of the options awarded. The fair value is determined using the Black-Scholes option pricing model, which was designed to estimate the fair value of traded options that have no restrictions as to vesting of rights and are completely transferable. Any consideration paid by employees on exercise of stock options is credited to capital stock.

Per share amounts

Per share amounts are determined based on the weighted average number of Class A shares outstanding during the year.

Changes in accounting policies

On October 1, 2002, the Corporation adopted the new recommendation of the Canadian Institute of Chartered Accountants ("CICA") regarding stock-based compensation and other stock-based payments. Under this recommendation, the fair value based method of accounting should be used to record stock-based payments to earnings. This new recommendation was applied for options awarded after October 1, 2002. Before this new recommendation was adopted, no expense was recorded when options were awarded.

On October 1, 2002, the Corporation adopted the new recommendation of the CICA regarding goodwill and other intangible assets, whereby goodwill and other intangible assets with an indefinite life are no longer amortized. They must, however, be tested for impairment annually based on their fair value. Intangible assets with finite lives continue to be amortized. No ceiling, however, is placed on the useful lives. Finite-life intangible assets are subject to impairment review pursuant to existing standards. The adoption of these new standards did not have any effect on the financial position of the Corporation or its operating results.

On October 1, 2002, the Corporation adopted a new accounting policy for the amortization of property, plant and equipment for wood-residue thermal power stations. According to the new policy, amortization will be calculated using the production method, based on the generation of electricity. Under the production method, the amortization expense recorded in earnings will be based on the production realized during the period in relation to the production forecast. The change in accounting policy did not result in any retroactive adjustment to the results of the prior year's corresponding period.

Comparative figures

Certain reclassifications have been made to the prior year's consolidated financial statements to conform to the presentation adopted in 2003.

3 Business acquisitions

2003

On September 30, 2003, the Corporation acquired from Adirondack Hydro Development Corporation and Black Hills Generation Inc. ("Black Hills") 100% of the partnership interests in five hydroelectric facilities located in the State of New York and having an installed capacity of 22.8 MW. The acquisition was made for a cash consideration of $13,595,000 (US$10,000,000), including acquisition expenses.

On April 1, 2003, the Corporation acquired an 85% interest in a French company, Ferme Éolienne de Chépy S.A.S. ("Chépy"), to build and operate a two-wind turbine facility with a total capacity of 4.0 MW. The start-up of this facility was completed in the fall of 2003. This acquisition was completed for a total cash consideration of $804,000 (€500,000).

On January 31, 2003, the Corporation acquired the 50% interest that it did not already own in Boralex Blendecques S.A.S. ("Blendecques"), resulting in 100% ownership at that date. This transaction was completed for a cash consideration of $1,310,000 (€800,000).

These acquisitions have been accounted for using the purchase method. The accounts and the results of these companies are included in these consolidated financial statements from their respective date of acquisition. The accounts and results of Blendecques have been fully included in the consolidated financial statements since January 31, 2003, whereas previously only 50% had been included. The following allocation of the purchase price to the identifiable assets acquired and liabilities assumed did not result in any goodwill.

	Hydroelectric power stations (Black Hills)	**Natural gas cogeneration power station (Blendecques)**	**Wind power station (Chépy)**	**Total**
Cash and cash equivalents	2,416	677	-	3,093
Accounts receivable	743	1,830	-	2,573
Inventories	-	45	-	45
Property, plant and equipment	9,068	7,568	-	16,636
Other assets	1,768	-	804	2,572
Accounts payable and accrued liabilities	(400)	(851)	-	(1,251)
Long-term debt	-	(7,959)	-	(7,959)
Total consideration	13,595	1,310	804	15,709

2002

On December 20, 2001, the Corporation completed the acquisition of a 60% interest in a French company, Séris Éole S.A.S. ("Séris"), to build and operate a fourteen-wind turbine facility with a power capacity totalling 11.2 MW. This acquisition was completed for a total cash consideration of $1,629,000 (€1,143,000).

On December 18, 2001, the Corporation completed the acquisition of Secure Wood Chips, L.P. ("Secure"), an entity specializing in wood processing and recycling, for a total cash consideration of $1,340,000 (US$850,000).

These acquisitions were accounted for using the purchase method. The accounts and the results of these companies are included in these consolidated financial statements from their respective date of acquisition. The following allocation of the purchase price to the identifiable assets acquired and liabiiities assumed did not result in any goodwill.

	Wood-residue thermal power stations (Secure)	**Wind power station (Séris)**	**Total**
Accounts receivable	123	-	123
Property, plant and equipment	1,352	1,629	2,981
Other assets	140	-	140
Accounts payable and accrued liabilities	(275)	-	(275)
Total consideration	1,340	1,629	2,969

4 The Fund

The Fund is an income trust in which the Corporation holds a 23% interest as at September 30, 2003. However, throughout the year ended September 30, 2003, the Corporation had an interest of 34% in the Fund. The dilution of the investment resulted from an issuance of units by the Fund as at September 30, 2003, in which the Corporation did not participate.

a) The investment in the Fund is made up of the following:

	2003	2002
Investment in units, at cost	137,680	137,680
Share in earnings	10,018	3,930
Gain on dilution	545	-
Share of distributions	(19,392)	(7,348)
	128,851	134,262
Net unrealized gain	(38,882)	(40,991)
	89,969	93,271

The share in earnings of the Fund recorded in earnings includes amortization of the unrealized gain amounting to $2,109,000 (2002–$1,287,000). During the year, the Corporation received $12,044,000 (2002–$6,344,000) for its share of the distributions of the Fund.

b) In relation to the Fund, the Corporation has committed:

i) under the terms of a management agreement ending February 19, 2022 with renewable successive five-year terms, to provide operation, supervision, maintenance, security, management and administration services covering seven power stations. These services cover all employee wages, salaries and benefits as well as the use of the Corporation's centralized control system. In exchange for these services, the Corporation will receive in monthly installments a fee totalling $4,500,000 per annum, which will be indexed annually on January 1 based on the percentage increases in the Consumer Price Index for the 12 preceding months;

ii) under the terms of a service agreement ending January 28, 2023, to provide operation and maintenance services covering a power station. The agreement covers wood-residue supply costs, salaries, supplies and spare parts, minor maintenance work (described as maintenance not exceeding $250,000 by event), and operating and administration costs. Major maintenance work and capital expenditures are assumed by the Fund. Annual fees to the Corporation for these services amount to $9,200,000, indexed annually based on the percentage increases in the Consumer Price Index for the 12 preceding months. However, under a service agreement with similar terms and conditions, the Corporation has contracted a third party, under its overview, for the operation and maintenance of this power station.

iii) to provide, according to terms similar to those described in (i), the complete management of two hydroelectric power stations located in the State of New York (the "Adirondack Facilities") and owned by the Fund (the "Adirondack Agreement"). More specifically, the amounts payable under the Adirondack Agreement are limited to operating expenses and monthly compensation to the Corporation covering the wages, salaries and benefits of the employees assigned to the operation, supervision, maintenance, security, management and administration of the Adirondack Facilities and of the overhead expenses thereof. Even though the Adirondack Agreement was not executed as at September 30, 2003, it is scheduled to end in 2023 and will be renewable for additional five-year terms at the option of the manager.

c) Management revenue from the Fund were generated in the normal course of business and are related to the commitments described in (b) above. Furthermore, as at September 30, 2003, accounts receivable included an amount of $1,926,000 (2002–$2,622,000) receivable from the Fund, of which $1,004,000 was in the form of distributions receivable (2002–$1,004,000), whereas accounts payable and accrued liabilities included an amount of $1,648,000 (2002–$15,563,000) payable to the Fund.

d) The table below contains financial information from the unaudited consolidated financial statements of the Fund for the period from October 1, 2002 to September 30, 2003 (and for the period from February 20, 2002 to September 30, 2002):

	2003	2002
Consolidated balance sheets		
Total assets	675,920	417,675
Consolidated statements of earnings		
Revenue	65,520	35,810
Earnings before amortization and financial expenses	30,390	18,898
Net earnings	17,813	11,653
Consolidated statements of cash flows		
Operating activities	48,998	169
Investing activities	(247,288)	(255,928)
Financing activities	228,006	263,636

All the revenue were realized in Canada and the property, plant and equipment of the Fund are located in Canada and the United States (since September 30, 2003).

5 Property, plant and equipment

			2003
	Cost	Accumulated amortization	Net
Power stations	136,326	15,976	120,350
Wind farm in progress	6,333	-	6,333
Replacement parts	1,428	-	1,428
	144,087	15,976	128,111

			2002
	Cost	Accumulated amortization	Net
Power stations	113,339	11,366	101,973
Wind farm in progress	14,428	-	14,428
Replacement parts	1,501	-	1,501
	129,268	11,366	117,902

Amortization of property, plant and equipment amounted to $6,418,000 for the year ended September 30, 2003 (2002–$8,011,000). Property, plant and equipment include a power station with a net carrying value of $8,400,000, that wasn't amortized during the year.

6 Other assets

	2003	2002
Power sales contracts	2,735	-
Restricted funds and other funds held in trust	790	149
Deferred costs	705	1,308
Project development costs	216	646
Other investments	583	652
	5,029	2,755

Amortization of intangible assets totalled $571,000 for the year ended September 30, 2003 (2002–$622,000).

7 Bank loans and advances

The Corporation has a demand credit facility for an authorized amount of $10,000,000. As at September 30, 2003, the amount drawn of $2,070,000 bears interest at a rate of 6.38%.

8 Long-term debt

a) Long-term debt comprises the following:

	Note	2003	2002
Secured loan of an original amount of US$13,500,000, bearing interest at a variable rate (September 30, 2003–2.62%), maturing on May 1, 2005		11,719	16,821
Secured credit facility of an original amount of €7,165,000, bearing interest at fixed and variable rates (average rate of 5.21% as at September 30, 2003), repayable in quarterly installments and maturing in 2013	8 b)	10,768	10,905
Secured credit facility of an original amount of €7,882,000, bearing interest at a fixed rate of 5.51%, repayable in quarterly installments and maturing in 2012		10,389	5,624
Secured credit facility of an original amount of €3,628,000, bearing interest at a variable rate (September 30, 2003–3.55%), repayable in quarterly installments and maturing in 2015		5,493	-
Secured loan of an original amount of $2,700,000, bearing interest at a fixed rate of 9.89%, maturing in 2010		1,696	1,848
Other		1,086	1,999
		41,151	37,197
Less: Current portion		6,146	4,308
		35,005	32,889

b) The Corporation entered into an interest rate swap agreement involving no exchange of principal to fix the interest at 5.37%, including a premium equivalent to the one applied to the corresponding loan, on a notional amount of €3,989,000 (September 30, 2003–$6,276,000).

c) Property, plant and equipment of a power station located in the United States and of the power stations located in France totalling $60,800,000 as at September 30, 2003, together with related working capital, have been pledged as collateral for the secured loans and credit facilities. The loan agreements include certain restrictions in the use of cash flows of the subsidiaries of the Corporation.

d) The fair value of the long-term debt, while taking into account the interest rate swap agreement, was estimated at $41,458,000 (September 30, 2002–$38,029,000), based on discounted future cash flows at interest rates available to the Corporation for debt issues with similar terms, conditions and average maturities.

e) The estimated aggregate amount of repayments on long-term debt in each of the next five years is as follows:

2004	6,146
2005	10,756
2006	2,559
2007	2,713
2008	2,876

9 Capital stock

	2003	2002
29,865,262 Class A shares (2002–29,940,262)	110,517	110,789
Stock purchase options–adjustments	160	-
	110,677	110,789

a) The transactions relating to capital stock for the years ended September 30, 2003 and 2002 are detailed as follows:

	Note	2003		2002	
		Number of shares (in thousands)	Amount	Number of shares (in thousands)	Amount
Balance–beginning of year		29,940	110,789	29,940	110,789
Redemption of shares	9 b)	(75)	(272)	-	-
Stock purchase options–adjustments	9 d)	-	160	-	-
Balance–end of year		29,865	110,677	29,940	110,789

b) In the normal course of business in 2003, the Corporation set up a stock redemption program with The Toronto Stock Exchange to redeem up to 1,450,000 Class A shares, representing approximately 5% of the Class A shares issued and outstanding. Valid redemption was authorized from May 9, 2003 to May 7, 2004. In 2003, the Corporation redeemed 75,000 Class A shares under this redemption program.

c) The Corporation has a stock option plan for the benefit of directors, senior management and certain key employees under which 1,500,000 Class A shares have been reserved for issuance. The exercise price equals the market value on the day preceding the date the options were granted. The options granted may be exercised over a period of four years at 25% per year beginning at the grant date, with the exception of the options granted in 1996 and 1997 which may be exercised over a period of five years at 20% per year beginning at the grant date. The stock options are detailed as follows for the years ended September 30, 2003 and 2002:

	2003		2002	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding–beginning of year	310,082	5.75	239,568	4.90
Granted	235,566	3.67	70,514	8.63
Cancelled	(111,599)	4.49	-	-
Outstanding–end of year	434,049	4.94	310,082	5.75
Options exercisable–end of year	299,347	5.06	194,609	5.08

The following options were outstanding as at September 30, 2003:

	Options outstanding		Options exercisable		
Granted in	**Number of options**	**Exercise price**	**Number of options**	**Exercise price**	**Year of maturity**
1996	38,956	4.10	38,956	4.10	2006
1997	25,000	5.70	25,000	5.70	2007
1999	43,760	4.00	43,760	4.00	2009
2000	39,702	3.64	39,702	3.64	2010
2001	83,930	6.00	69,113	6.00	2011
2002	57,268	8.63	35,258	8.63	2012
2003	145,433	3.62	47,558	3.65	2013
	434,049		299,347		

d) The Corporation applies the fair value method of accounting for options granted to officers and employees. An amount of $160,000 was recorded as administration costs of the Corporation to account for the options awarded during the year ended September 30, 2003 (September 30, 2002–nil).

The following assumptions were used to estimate the fair value, at the date of grant, of the options issued to officers and employees after October 1, 2002:

Risk-free interest rate	3.85%
Expected annual dividend	0.00%
Expected life of options	4 years
Expected volatility	45%
Weighted average fair value per option	$1.50

10 Unusual items

The unusual items are made up of the following:

	Note	2003	2002
Financial compensations to the Fund	10 a)	(2,806)	(3,300)
Write-down of assets	10 b)	(1,008)	(8,058)
Gain on dilution	10 c)	545	-
Reversal of excess provisions	10 d)	1,521	-
Gain on sale of property, plant and equipment	10 e)	-	85,131
Costs incurred on prepayment of long-term debt	10 f)	-	(14,162)
		(1,748)	59,611

a) Financial compensations to the Fund

In 2003, the Corporation recorded expenses totalling approximately $2,800,000 as financial compensation to the Fund. This amount was recorded to compensate the Fund for the following items:

i) Compensation for lower actual operating results compared with those anticipated for a wood-residue thermal power station. This compensation covers the first quarter of the year ended September 30, 2003, namely from October 1 to December 31, 2002	(450)
ii) Compensation for the penalty received from Hydro-Québec related to the insufficient production of a power station transferred to the Fund in 2002 for the period from February 20, 2002 to November 30, 2003	(906)
iii) Compensation for capital expenditures assumed by the Fund pertaining to a power station transferred to the Fund in 2002	(1,450)
	(2,806)

In 2002, the Corporation recorded an amount of $3,300,000 as compensation for the lower actual operating results of a wood-residue thermal power station in its start-up phase as compared to the anticipated results. This compensation covered the period from February 20,2002 to September 30, 2002.

b) Write-down of assets

In 2003, the Corporation wrote off certain assets totalling approximately $1,000,000 ($700,000 net of income taxes). These write-offs are related mainly to costs incurred in the context of the Hydro-Québec Request for Proposal for projects of small hydroelectric facilities, which projects will not be completed.

In 2002, the Corporation revalued the fair value of certain assets and subsequently wrote down those assets for an approximated amount of $8,100,000 ($5,600,000 after income taxes). These write-downs relate mainly to deferred financing costs for long-term debt prepaid by the Corporation in the context of the transaction described in (e), a permanent reduction in the asset values of two hydroelectric power stations and other projects under development which are unlikely to be realized.

c) Gain on dilution

On September 30, 2003, the Corporation realized a gain on dilution of approximately $500,000 resulting from the dilution of the investment in the Fund following the issuance of 18,500,000 new units by the Fund.

d) Reversal of excess provisions

In the context of the transaction described under (e), the Corporation recorded certain provisions related to the payment of certain costs. During 2003, the Corporation reversed to earnings the excess provisions for an amount of approximately $1,500,000.

e) Gain on sale of property, plant and equipment

In 2002, the Corporation completed the sale of seven power-generating facilities (the "Transaction"), consisting of four hydroelectric facilities, two biomass facilities and one gas-fired facility, to the Fund, a newly created income fund established primarily to purchase these facilities, for total net proceeds of $361,000,000. This Transaction was paid for in cash for an amount of $223,000,000, and the balance of $138,000,000 as a 34% interest in the Fund. An amount equal to 34% of the gain, representing the Corporation's residual ownership in the Fund, has not been realized and is presented as a reduction of the investment in the Fund. As a result of this Transaction, the Corporation has recognized a gain of approximately $85,100,000 before income taxes ($76,900,000 after income taxes).

The gain includes a provision of $1,150,000 for possible settlement of the ministère du Revenu du Québec tax assessments received pursuant to the Act respecting municipal taxation. This amount reflects an estimate of assessments received or to be received for the years 1997 to 2002 for taxes claimed on electricity revenue earned by the hydroelectric power stations transferred to the Fund. The Corporation continues to oppose similar assessments received for stations other than hydroelectric power stations.

f) Costs incurred on prepayment of long-term debt

In 2002, as a result of the transaction described in (e), the Corporation used a significant portion of the cash proceeds received to repay existing outstanding long-term debt and the preferred shares of a subsidiary, representing $163,000,000. In addition to the repayment of principal, an amount of approximately $14,200,000 was paid in prepayment costs ($11,200,000 after income taxes).

11 Financial expenses

	2003	2002
Interest on long-term debt	1,576	4,795
Other interest	180	816
Dividends on preferred shares, paid during the year	-	258
	1,756	5,869
Interest capitalized to stations in progress	-	(203)
	1,756	5,666

12 Discontinued operations

During the fourth quarter of the year ended September 30, 2003, the Corporation received a letter of intent related to the sale of the assets of a wood-residue thermal power station located in the United States. While this letter was not finalized on September 30, 2003, the Corporation intends to dispose of the assets of this facility within the next 12 months. Accordingly, the Corporation recorded a permanent write-down in value of the assets to be disposed of in order to reduce them to their net realizable value, and the operations of this facility have been presented as discontinued operations.

Results from discontinued operations are as follows:

	2003	2002
Revenue from energy sales	-	5,418
Operating costs	(1,149)	(6,005)
Administration costs	(140)	(219)
Amortization	(301)	(578)
Operating loss before income taxes	(1,590)	(1,384)
Permanent write-down in value of assets to be disposed of	1,423	-
Loss before income taxes	(3,013)	(1,384)
Recovery of income taxes	1,090	439
Net loss from discontinued operations	(1,923)	(945)
Net loss from discontinued operations per Class A share	(0.06)	(0.03)

	2003	2002
Condensed cash flows		
Cash flows from operating activities	(1,173)	524
Cash flows from investing activities	-	(291)
Change in cash and cash equivalents from discontinued operations	(1,173)	233

13 Income taxes

a) The provision for income taxes is as follows:

	2003	2002
Provision for (recovery of) income taxes		
Current	155	5,988
Future	(932)	7,114
	(777)	13,102

	2003 %	2002 %
Provision for income taxes based on combined basic Canadian and Quebec income tax rate	40.9	43.1
Increase (decrease) in income taxes arising from the following:		
Non-taxable portion of capital gain on sale of property, plant and equipment to the Fund	-	(25.7)
Deduction for manufacturing and processing and for active business income carried on in Quebec	1.0	0.7
Large corporations tax	(5.7)	0.5
Difference in foreign operation's statutory income tax rates	0.5	0.3
Unrecognized tax benefits	3.3	(0.2)
Re-evaluation of current and future income tax assets and liabilities	(23.0)	-
Other	0.8	1.0
	(23.1)	(23.4)
	17.8	19.7

b) Future income taxes include the following items:

	2003	2002
Future income tax assets		
Tax benefit arising from losses carried forward	7,235	4,318
Other assets	1,564	-
Provisions	1,476	1,480
Share issue expenses	397	597
Other	333	595
	11,005	6,990
Future income tax liabilities		
Investment	30,707	29,603
Property, plant and equipment	4,276	2,471
Other assets	-	33
	34,983	32,107
Future income taxes	23,978	25,117
Short-term future income tax assets	(842)	(2,436)
Long-term future income tax liabilities	24,820	27,553
	23,978	25,117

c) The Corporation and its subsidiaries have accumulated losses for income tax purposes amounting to approximately $21,567,000, which may be carried forward to reduce taxable income in future years The future tax benefit arising from the deferral of $20,800,000 of these losses has been recognized in the accounts. These unused losses for income tax purposes may be claimed in futur years expiring as follows:

2006	49
2007	398
2008	292
2009	7,388
2010	5,768
2023	7,582
Indefinitely	90
	21,567

14 Changes in non-cash working capital balances

	2003	2002
Decrease (increase) in		
Accounts receivable	934	(1,057)
Inventories	(670)	700
Increase (decrease) in		
Accounts payable and accrued liabilities	(16,076)	7,866
Income taxes	(2,643)	4,167
	(18,455)	11,676

15 Segmented information

The Corporation's power stations are grouped under four distinct segments: hydroelectric power, wood-residue thermal power, natural gas cogeneration power and wind power, and are engaged mainly in the production of energy. The classification of these segments is based on the different cost structures relating to these four types of power stations.

The Corporation analyzes the performance of its operating segments based on their EBITDA which is defined as earnings before amortization, financial expenses, interest income, unusual items, income taxes and non-controlling interests. EBITDA is not a measure of performance under Canadian generally accepted accounting principles; however, management uses this performance measure for assessing the operating performance of its reportable segments. Earnings for each segment are presented on the same basis as those of the Corporation.

The following table reconciles EBITDA with earnings (loss) from continuing operations:

	2003	2002
Earnings (loss) from continuing operations	(3,786)	54,351
Non-controlling interests	200	74
Provision for (recovery of) income taxes	(777)	13,541
Unusual items	1,748	(59,611)
Interest income	(729)	(582)
Financial expenses	1,756	5,666
Amortization	6,989	8,633
Consolidated EBITDA	5,401	22,072

a) Information by segment

2003

	Revenue from energy sales	EBITDA	Purchase of property, plant and equipment	Assets	Production (in MW) (unaudited)
Hydroelectric power stations	1,076	660	15	18,164	15,420
Wood-residue thermal power stations	49,491	(1,173)	4,401	106,872	804,405
Natural gas cogeneration power stations	11,234	2,863	1,071	19,269	53,238
Wind power station	2,295	1,931	6,595	23,942	16,773
Corporate and eliminations	-	1,120	432	80,572	-
Continuing operations	64,096	5,401	12,514	248,819	889,836

2002

	Revenue from energy sales	EBITDA	Purchase of property, plant and equipment	Assets	Production (in MW) (unaudited)
Hydroelectric power stations	5,225	3,451	114	3,752	75,998
Wood-residue thermal power stations	79,856	12,970	17,456	119,981	1,114,993
Natural gas cogeneration power stations	9,748	2,759	1,458	8,410	88,736
Wind power station	-	-	12,380	13,227	-
Corporate and eliminations	-	2,892	1,517	135,345	-
Continuing operations	94,829	22,072	32,925	280,715	1,279,727

b) Geographic information

	2003		2002	
	Revenue from energy sales	Property, plant and equipment	Revenue from energy sales	Property, plant and equipment
Canada	760	11,832	22,050	9,699
United States	49,777	80,119	71,721	88,168
France	13,559	36,160	1,058	20,035
Continued operations	64,096	128,111	94,829	117,902

Revenues are attributed to countries based on the location of customers.

c) In 2003, the Corporation had four customers accounting for more than 10% of its revenue: 35%, 18%, 17% and 12% (2002–two; i.e. 55% and 14%).

16 Related party transactions

In addition to the transactions with the Fund (note 4 c), the Corporation entered into the following transactions with related parties:

	2003	2002
Company (and its subsidiaries) having significant influence on the Corporation		
Revenue from energy sales	5,864	3,102
Other revenue	390	330
Operating expenses	284	417
Purchase of property, plant and equipment	123	-
Entity controlled by a director of the Corporation		
Other revenue	346	517
Interest income	22	34

These transactions occurred in the normal course of business and were measured at the exchange amount, which is the amount of the consideration established and agreed to by the related parties.

In 2002, the Corporation sold its interest in a project under development to a corporation controlled by one of its director for a cash consideration of $416,000, representing market value at the time of the transaction.

The balance sheets as at September 30 included the following balances with related parties:

	2003	2002
Company (and its subsidiaries) having significant influence on the Corporation		
Accounts receivable	2,130	178
Accounts payable	48	1,014
Entity controlled by a director of the Corporation		
Accounts receivable	53	560

17 Interest in a joint venture

The major components of the Corporation's interest in a joint venture included in the consolidated financial statements are as follows:

	2003	2002
Consolidated Balance Sheets		
Current assets	-	1,174
Long-term assets	-	7,236
Current liabilities	-	810
Long-term debt	-	7,059
Consolidated Statements of Earnings		
Revenue	2,863	1,057
Earnings before amortization and financial expenses	927	1,476
Net earnings	409	419
Consolidated Statements of Cash Flows		
Operating activities	134	(1,061)
Investing activities	(59)	(792)
Financing activities	(86)	1,196

On January 31, 2003, the Corporation acquired the 50% interest that it had not previously held in this joint venture.

18 Commitments and contingency

In addition to the commitments related to the Fund (note 4), the Corporation is committed to the following:

a) The Corporation is committed to selling all its electricity and steam production under long-term contracts expiring as follows:

Source	Production type	Expiration
Canada	Electricity	Between 2010 and 2021
France	Electricity	Between 2013 and 2018
France	Steam	2022

In addition, under a long-term contract, the Corporation is committed to selling, until 2027, all its electricity production from a hydroelectric power station located in the United States.

b) In accordance with a service agreement having similar terms and conditions to the one described in note 4 b) ii), the Corporation has contracted a third party, under its overview, to provide complete management of the operating and maintenance services at a power station owned by the Fund.

c) Since 1999, the ministère du Revenu du Québec has been trying to levy on the private producers located in Quebec, some of which are subsidiaries of the Corporation, a 3% tax on revenue realized after November 22, 1996 on the sale of electricity under the provisions of the Act respecting municipal taxation. The assessments received by the subsidiaries of the Corporation amounted to $2,600,000 and cover the years from 1997 to 2001. The Corporation has objected to the assessments related to its natural gas and wood-residue thermal power stations and questions their validity as they apply to other than hydroelectric power stations. A provision of $1,500,000 has been recorded in relation to actual and potential assessments for its hydroelectric power stations.

d) Over the years, the Corporation has sold portions of its enterprises, including electrical power stations to the Boralex Power Income Fund, in which it has a 23% interest. Further to the agreements regarding these sales, the Corporation could be required to indemnify the purchaser for the liabilities of a company arising from events prior to the sale, whether in connection with labour, tax, environmental, judicial or other matters, or arising from representations made by the Corporation. Indemnification guarantees of this type extend mainly over periods of less than 10 years.

The Corporation may assess the amount of its contingent liabilities under such indemnification guarantees since these amounts depend on the occurrence of possible future events whose nature and likelihood cannot be established for the time being. However, the maximum amount under these guarantees may not exceed the proceeds arising from the sales.

The Corporation has never been required to directly incur major expenses under such agreements. Moreover, the Corporation has contributed financial compensations to the Fund, as described in note 10–Unusual items.

19 Subsequent event

On October 1, 2003, the Corporation applied Accounting Guideline 13 ("AcG-13") regarding hedge accounting. In compliance with the criteria required by AcG-13, hedge accounting requires the Corporation to document the risk management strategy used. Upon executing a hedging contract, management documents the hedged item, namely an asset, liability or anticipated transaction, the characteristics of the hedging instrument used and the selected method of assessing effectiveness.

The current accounting policy will be maintained for hedging relationships deemed to be effective. Consequently, realized and unrealized gains and losses on hedges will continue to be deferred until the hedged item is realized so as to allow matching of the designations in the statement of earnings. When hedging relationships cease, the Corporation will use the same accounting policies as those used for the year ended September 30, 2003.

Hedging relationships existing as at September 30, 2003 meet the conditions of AcG-13. Hedge accounting will therefore apply to these relationships for the year beginning October 1, 2003.

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Shareholder Information

The annual Meeting of Shareholders will be held on February 24, 2004, at 11:00 a.m. at the Omni Mont-Royal Hotel, Saisons Room A and B, 1050 Sherbrooke St. West, Montréal, Québec.

The 2003 Boralex Inc. Annual Information Form will be available upon request from the Corporation's Montréal Office as of February 13, 2004.

On peut se procurer la version française du présent rapport annuel en s'adressant à :
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Web Site

Boralex's press releases are available at: www.boralex.com

Cover and inside pages
Jenson Satin
Cover 160M, text 140M

Text: Lefebvre Financial Communications
Graphic Design: Communications CGCOM

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